



GAMING EDITION

GAMING 202

Live Racing and Games
Decoupling

Thursday, May 13, 2021
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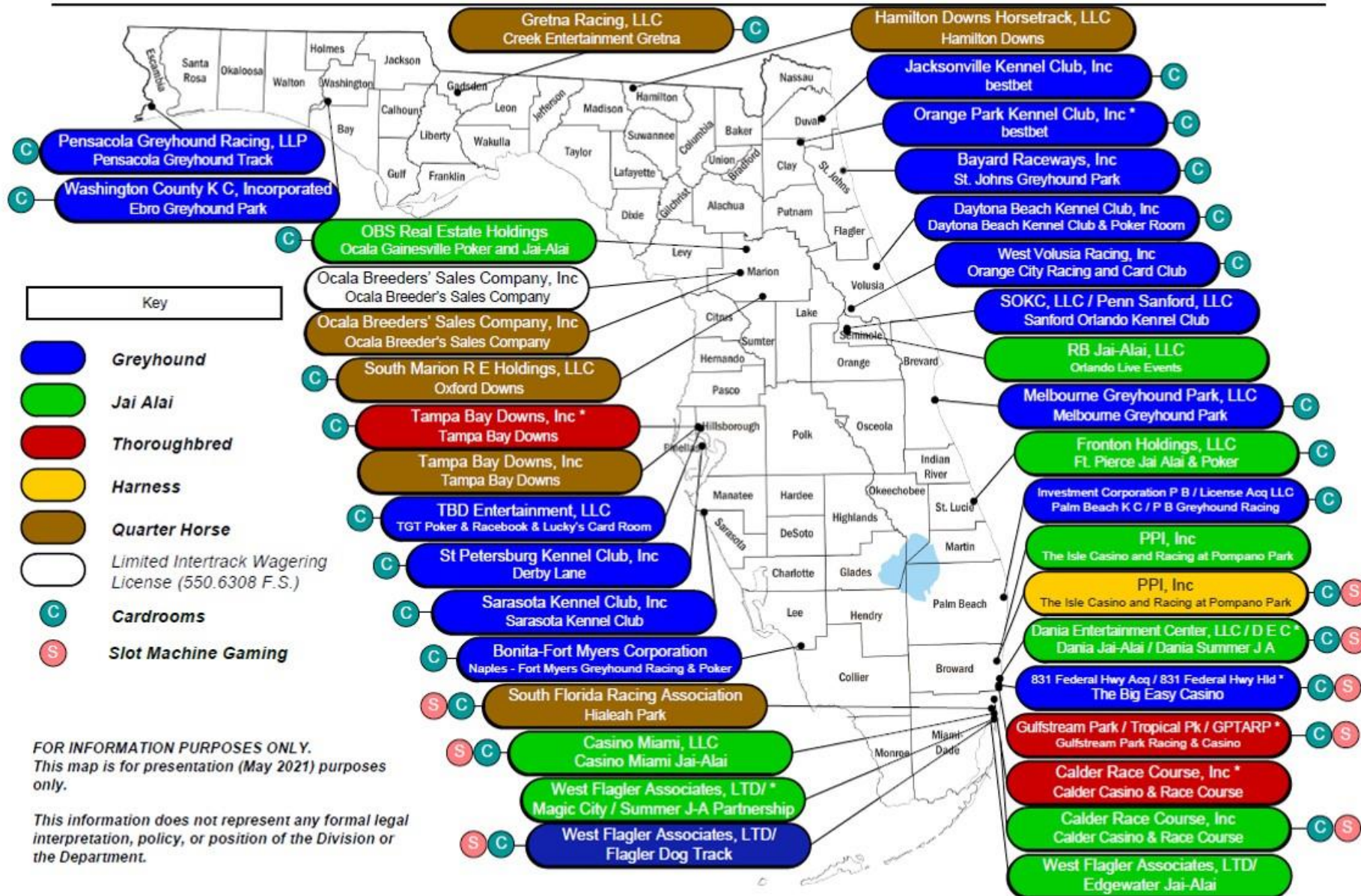
GAMING EDITION



AUTHORIZED GAMBLING IN FLORIDA

- Pari-Mutuel Live Events – Dog, Horse, and Jai Alai (authorized in 1931)
 - 30+ licensed pari-mutuel permitholders throughout the state (conducting live events and /or intertrack wagering).
 - Wagering is authorized for horse racing (thoroughbred, quarter, and harness), greyhound racing (former), or jai alai games.
 - Pari-mutuels are highly regulated and subject to restrictions limiting relocations and other changes.
 - Generated **\$9.5 million** in state revenue in 2018—2019, and **\$5.2 million** in 2019-20.
- Cardrooms at Pari-Mutuels (authorized in 1996)
 - 26 licensed cardrooms at pari-mutuel facilities throughout the state.
 - Certain pari-mutuels must conduct live pari-mutuel events to remain eligible for cardroom license.
 - Generated **\$18 million** in state revenue in 2018-19, and **\$14 million** in 2019-20.
- Slot Machine Gaming at Pari-Mutuels (authorized in 2004, pursuant to constitutional amendment)
 - 8 licensed slot machine facilities at pari-mutuel facilities in Broward and Miami-Dade Counties.
 - Certain slot machine facilities must conduct live pari-mutuel events to remain eligible for slot machine license.
 - Generated **\$201.1 million** in state revenue in 2018-2019, and **\$156.7 million** in 2019-20.
- Seminole Tribe Gaming (authorized in 2010, pursuant to Compact)
 - 7 tribal facilities offer slot machine gaming and 5 facilities offer banked games (expanded to all 7 by court ruling in 2016).
 - Generated **\$328.5 million** in state revenue in FY 2017-2018 and **\$247.7 million** in FY 2018-2019. Payments ceased after April 2019.
 - Total payments to the state by the Tribe in 1st 5 years of the Compact = **\$1 billion**.
- Florida Lottery (authorized in 1986 by constitutional amendment)
 - Generated **\$1.7 billion** in state revenue in 2018-19, and **\$1.9 billion** in FY 2019-2020.

Pari-Mutuel Permitholders with 2020-2021 Operating Licenses



FOR INFORMATION PURPOSES ONLY.
This map is for presentation (May 2021) purposes only.

This information does not represent any formal legal interpretation, policy, or position of the Division or the Department.

* Facilities where two or more permitholders perform.

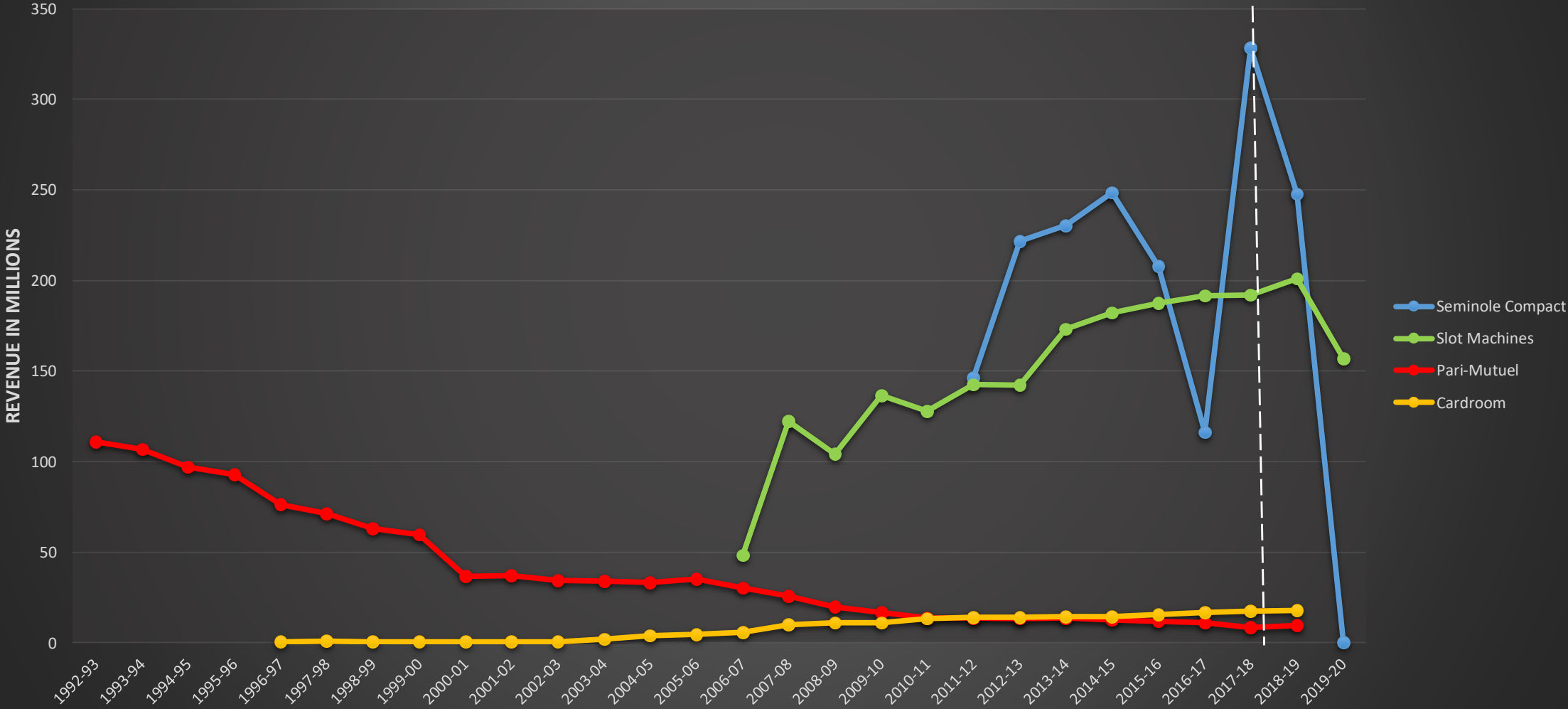


LEGISLATIVE SUPPORT OF PARI-MUTUEL INDUSTRY

In an effort to boost or expand the pari-mutuel industry, the Legislature has taken a number of actions over the years.

- In 1980, the Legislature authorized an increase in racing by allowing a summer racing season.
- In 1984, the Legislature authorized permitholders to simulcast races or games, allowing tracks and frontons to broadcast races or games to out-of-state locations and to receive out-of-state broadcasts.
- In 1996, cardrooms at pari-mutuel facilities were legalized if approved by ordinance of the county commission where the pari-mutuel facility was located. Cardrooms grew from an initial 15 cardrooms compared to 26 cardrooms licensed in the 2020.
 - Again in 2003, the Legislature helped out by relaxing statutory restrictions that allowed a \$2 maximum wager with a maximum of three raises in any round of betting, which replaced the \$10 pot limit established in 1996.
- In 2000, in an effort to help the industry, the tax rates were reduced for live and simulcast performances from: 7.6 percent to 5.5 percent for greyhound; 4.25 percent to 2 percent for jai alai; 3.3 percent to 1 percent for quarter horse; and 1 percent to 0.5 percent for harness.

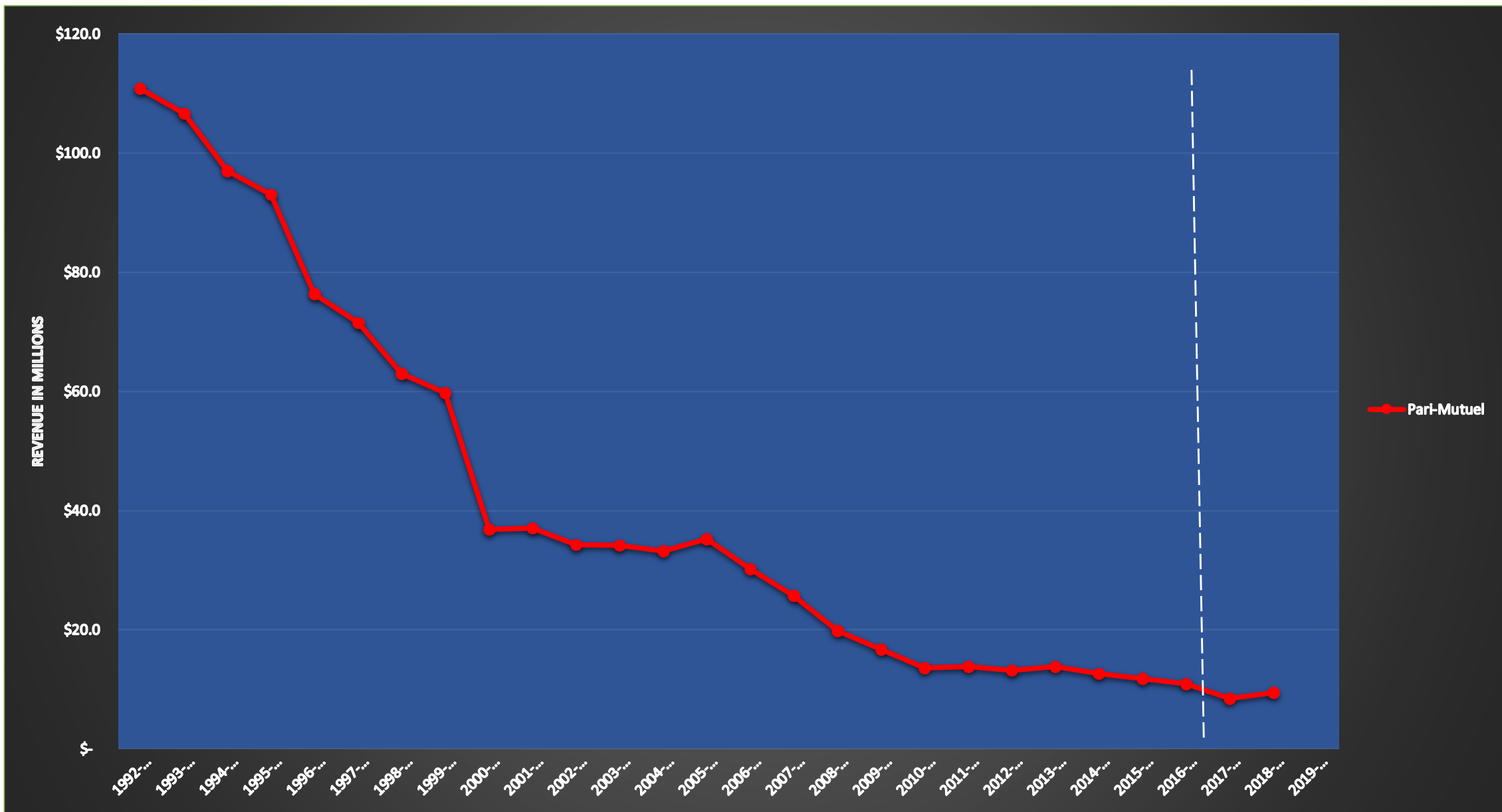
Despite the introduction of simulcast wagering, tax reductions, and cardrooms, the pari-mutuel industry has seen a consistent decrease since 1990 in its pari-mutual handle and its revenues to the state.





THE DECLINE OF PARI-MUTUEL WAGERING

- Since the late 1980's pari-mutuel wagering has steadily declined. The handle (aggregate contributions to pari-mutuel pools) in the early 1990's was approximately \$110.8 million. Today, and even before the pandemic, the handle was approximately \$9.5 million. This is a decline of 91.5%.
- During Fiscal Year 2019/2020, the total handle wagered for all industries exceeded \$452 million, a decrease of approximately 31 percent from the prior fiscal year.
- Total pari-mutuel completed performances conducted during Fiscal Year 2019/2020 decreased by approximately 24 percent from the previous fiscal year.
- The state realized revenue from performances of approximately \$5.3 million, a decrease of roughly 33 percent from the prior fiscal year.
- Of the \$5.3 million collected, greyhound permitholders accounted for eight percent, thoroughbreds for 76 percent, harness for 10 percent, jai alai for five percent, and quarter horse for one percent.
- Total paid attendance decreased approximately 35 percent from the prior year.





DECOUPLING GREYHOUND RACING FROM OTHER WAGERING ACTIVITIES BY VOTERS

Article X, Section 32 of the Florida Constitution, approved by voters on November 6, 2018, prohibits racing of and wagering on greyhounds or other dogs. Initially, the constitutional amendment phased out wagering on dog racing by allowing greyhound tracks to choose to discontinue live greyhound racing.

- As of January 1, 2021, the constitution prohibits dog racing. Thus, greyhound tracks are **prohibited** from offering wagering on live greyhound racing in Florida.
 - The constitution also requires the Legislature to create civil or criminal penalties for violations of the greyhound racing ban.
- The amendment eliminates the requirement under current law for greyhound permitholders to conduct a minimum number of live races in order to maintain their other gambling activities. Greyhound tracks may continue to offer other gambling activities like cardrooms, and slot machines in the absence of live racing.
- The elimination of the requirement to run live races or offer live games for greyhound permitholder conflicts with current law requirements that all types of permitholders offer live racing or games in order to participate in other gaming activities such as cardrooms. Thus resulting in different treatment for different types of permitholders.



DECOUPLING OF LIVE RACING OR GAMES

- Historically, cardrooms and slot machines have been considered as “ancillary” operations subordinate to pari-mutuel activities or races and games.
- For many years, there has been discussion of “decoupling” of live racing and games from other gaming activities like cardrooms and slots.
- Decoupling would eliminate the current requirement in statute requiring race tracks and jai alai frontons to conduct certain numbers of live performances to renew a cardroom license or slot machine license.
 - Similar to what the constitutional amendment did for greyhound racing by allowing cardroom and slot machine facilities at the greyhound tracks to continue to operate after the closure of racing activities.



LIVE RACING AND GAMES REQUIREMENTS FOR PARI-MUTUEL WAGERING

- The Division of Pari-Mutuel Wagering (Division) within the Florida Department of Business and Professional Regulation (DBPR) licenses and regulates the pari-mutuel wagering industry, and enforces Chapters 550 (wagering), and 551 (slots), and section 849.086 (cardrooms), F.S., which provides permitting, licensing, taxation, and wagering requirements.
- Pari-mutuel wagering activities are **highly regulated** and permits are limited by the operation of various statutes.
- In order to obtain a permit from the Division, a county referendum must be held to approve of gaming activities within that jurisdiction. In addition, **statutory limitations prevent** a permit from being issued based on geographic location:
 - For horse or greyhound racing at a location within 100 miles of an existing pari-mutuel facility or
 - For jai alai games within 50 miles of an existing pari-mutuel facility.
- Once a permit is obtained, a license to operate pari-mutuel wagering, slot machine gaming, or a cardroom must be obtained every year. Such operations and licensing are privileges granted by the state.
- The permitholder must apply for an annual operating license which tells the Division how often and on what dates such races or performances will be conducted.
- **Florida law requires permitholders to offer live racing or games and maintain a certain amount of live racing or games** in order to obtain the right to offer intertrack or simulcast wagering, cardrooms or slot machines.



PARI-MUTUEL LIVE PERFORMANCE REQUIREMENTS

Currently, pari-mutuel facilities are required to conduct a certain number of live races or games (live performances) to remain eligible for other gaming activities, including cardroom and slot machine gaming.

- A “live performance” consists of at least eight races or games conducted live for each of a minimum of three performances each week at the permitholder’s licensed facility under a single admission charge.

The State requires that:

- To offer intertrack or simulcast wagering, permitholders must conduct a **full schedule of live performances**.
- To remain eligible for a cardroom license, permitholders must conduct at least 90 percent of the performances conducted the year they applied for the initial cardroom license or the prior year, if the permitholder ran a full schedule of live performances.
- To remain eligible for a slot machine license, permitholders must conduct a **full schedule of live performances**.



SLOT MACHINES

In 2004, voters approved a state constitutional amendment authorizing slot machines at specified pari-mutuel facilities in Broward and Miami-Dade Counties, subject to local approval via referendum.

- Slot machine gaming may only be conducted at the facility where a licensed pari-mutuel permit holder is authorized under a valid permit.
- **In order to remain eligible for slot machines, pari-mutuel permit holders must conduct a full schedule of live racing or games, among other requirements.**
- Slot machines are now authorized at eight pari-mutuel facilities in Broward and Miami-Dade Counties.
- Of the 8 facilities that offer slot machines, 2 are greyhound permit holders and, thus, do not have to conduct live racing in order to maintain their slot machine license.



CARDROOMS

The Legislature authorized cardrooms at pari-mutuel facilities in 1996 subject to local approval. Cardrooms must be approved by an ordinance of the county commission where the pari-mutuel facility is located.

- **To remain eligible for a cardroom license, a permitholder must conduct at least 90% of the performances conducted the year it applied for its initial cardroom license or the prior year, if the permitholder ran a full schedule of live performances.**
- Of the 26 cardroom licensees, 15 are greyhound permitholders. Thus, those 15 cardrooms will be at a competitive advantage based on the fact that they will no longer be required to offer live races in comparison to other permitholders that are required to conduct live racing and games in order to maintain the cardroom license.



DECOUPLING OPTIONS

Article X, s. 32 of the Florida Constitution already prohibits greyhound tracks from conducting live greyhound racing for wagering, but allows them to continue other gambling activities (cardrooms, slot machines). If the Legislature decides to amend current law to “decouple” live performances from other gaming activities, the Legislature may want to consider the following options:

- Should the Legislature remove the requirement to conduct live performances for all types of pari-mutuels or just certain types of pari-mutuels, i.e., should jai alai permitholders be required to conduct live games, but harness horse permitholders and thoroughbred permitholders be allowed to stop live races? How do we decide?
- Should pari-mutuels that choose to conduct live performances be allowed to conduct all types or multiple types of performances or be limited to the ones they are currently permitted to conduct, i.e., should a jai alai permitholder be able to switch to horse racing? Should a certain amount of live racing be required?
- Should the Legislature repeal provisions in Florida law that are inconsistent with the prohibition of live racing of greyhounds as provided in the constitutional amendment adopted in 2018? And criminalize such racing?
 - Current law still provides the regulations for conducting live greyhound racing even though it is prohibited by the Florida Constitution.



DECOUPLING OPTIONS

Other issues related to “decoupling” that the Legislature may want to consider:

- Conversion
 - Current law allows pari-mutuels to convert their permits in certain circumstances. If the Legislature amends the requirement for pari-mutuels to conduct live performances, should the Legislature amend the ability for a permit holder to convert their permit, i.e., could a greyhound racing permit be converted to a jai-alai permit?
- Location and Relocation
 - Current law requires permit holders to be a certain distance from other pari-mutuels and allows them to relocate in certain circumstances. Should the Legislature amend these requirements if pari-mutuels are no longer required to conduct live performances? Should they be restricted to moving within the current county of operation? Should they be allowed to move anywhere?
- Live Performance Requirements
 - If a pari-mutuel decides to conduct live performances, should they be required to conduct live performances in accordance with current law, i.e., conducting a minimum number of live performances? Or should they be able to decide how many performances?